



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: SB338

Bill Subtitle: TO PROVIDE SALES AND USE TAX EXEMPTIONS FOR STUDENT FARMERS; AND TO PROVIDE SALES AND USE TAX EXEMPTIONS FOR CERTAIN PRODUCTS AND SERVICES TO BE USED IN RELATION TO A PROJECT FOR A YOUTH FARMING PROGRAM.

Sponsors:

Sen. Hill and Rep. Schulz

Basic Change:

SB338 creates a sales and use tax exemption for certain qualifying purchases made by a student farmer related to a project for a youth farming program.

To qualify as a student farmer, an individual must:

- Be under the age of 23;
- Be enrolled in a youth farming program; and
- Obtain a sales and use tax exemption certificate from the Department of Finance and Administration by submitting a statement signed by the individual requesting the exemption and by the agricultural educator, advisor, or club leader of the youth farming program in which the individual is enrolled.

A youth farming program is defined as:

- A chapter of the Arkansas Division of the Future Farmers of America or other program in the state established by or affiliated with the Arkansas Division of the Future Farmers of America or Arkansas FFA Foundation, Inc.;
- A chapter of the Arkansas 4-H program or other program in the state established by or affiliated with the Arkansas 4-H program or The Arkansas 4-H Foundation, Incorporated; or
- A student agriculture program in the state similar in nature to a chapter of the Arkansas Division of the Future Farmers of America or the Arkansas 4-H program that is under the direction or guidance of an agricultural educator, advisor, or club leader.

The products exempt from sales and use tax include:

- Feed and feed additives for the purpose of sustaining livestock and poultry;
- Livestock and poultry;
- Seeds or plants to be used to produce food for consumption by humans, livestock, or poultry;
- Fertilizer to be used to produce food for consumption by humans, livestock, or poultry;
- Medicine and medical supplies necessary for the treatment of livestock and poultry;
- Farm equipment if the student farmer is listed as the owner of the farm equipment on all documentation that proves ownership;
- Tools, supplies, and equipment necessary to exhibit livestock or poultry at a livestock show, fair, competition, or convention; and,
- Personal property leased or rented by a student farmer used to produce a product as a project for a youth farming program.



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The service of providing accommodations listed in § 26-52-301(3)(A) to a student farmer is exempt from sales and use tax under the bill.

SB338 is effective on the first day of the calendar quarter following the effective date of the act.

Fiscal Impact:

Undetermined reduction to sales and use tax collections.

Taxpayer Impact:

Student farmers under age 23 will be eligible for sales tax exemptions on specific items for farm-related organization projects.

Resources Required:

Programming for the Arkansas Integrated Revenue System (AIRS) are estimated to cost \$10,000 with no ongoing annual maintenance. The cost will cover developing a process for accepting and processing student farmer applications and providing an exemption certificate.

Additional personnel will be needed to administer this program at a cost of \$235,406.

- Two - A091C Fiscal Support Analyst, GS05, \$47,869 each
- Two - A054C Tax Auditor II, GS09, \$69,834 each

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Computer programs, websites and training manuals will need to be updated to account for the changes. A program for certifying applicants and providing certificates will be developed.

Other Comments:

None.

Legal Analysis:

None.